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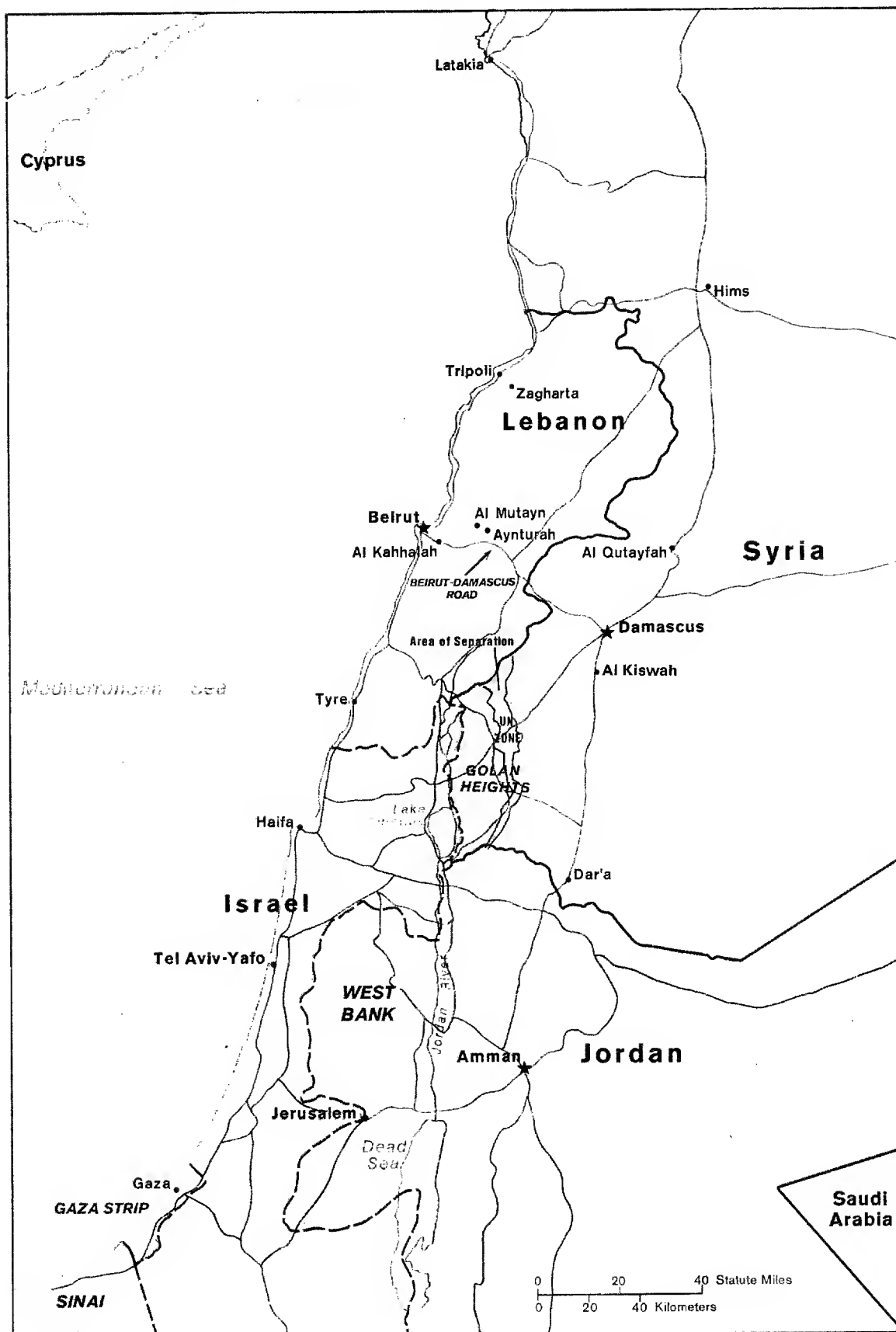
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LEBANON

Syrian mediation efforts remain stalled as leftist forces continue their drive against Christian strongholds in Beirut and the mountains east of the capital. Damascus, meanwhile, is hoping that its arms cut-off will slow the leftists' offensive and that PLO Chairman Yasir Arafat can persuade Lebanese leftist leader Kamal Jumblatt to accept a cease-fire.

Arafat met Sunday evening and again yesterday with Jumblatt after conferring with Syrian President Asad in Damascus. All of the leftist leaders—except Jumblatt—agreed yesterday to support a Syrian-brokered compromise. Jumblatt continued to hold out, apparently hoping the leftists would continue to gain against the Christians.

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The Lebanese press reported yesterday that Damascus has sounded out several West European countries about Syrian military intervention. It is doubtful, however, that Asad has made any decision yet to intervene openly in Lebanon. Asad will almost certainly consult with his top military advisers and the Baath Party leadership for support before he acts. Under the circumstances, Asad would probably face strong opposition in Damascus if intervention appeared aimed at preventing the leftists from scoring a military victory. He therefore may have to bide his time, hoping the leftists will soon run out of steam.

Leftist forces made some inroads against the Christians yesterday, especially in Beirut's hotel district and at Al Kahhalah to the east of Beirut. In see-saw fighting, leftist troops reportedly occupied at least part of Al Kahhalah yesterday and continued to put strong pressure on the Christian strongholds in Beirut.

Christian forces in the mountains east of Beirut may have made some limited gains around the villages of Aynturah and Al Mutayn. Fighting in the Tripoli-Zagharta area in the north apparently was limited to artillery exchanges with neither side making appreciable gains.

Israeli officials, meanwhile, continue to monitor Lebanese developments closely. In a recent interview, Defense Minister Peres emphasized that Israel would not intervene in Lebanon simply to maintain the status quo. He reiterated his government's position that Israel would take necessary "defensive measures" if there were "direct Syrian military intervention which might endanger the security of Israel."

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Jordan has placed some of its military units on alert—possibly in reaction to the crisis in Lebanon. US attaches in Amman have reported that aircraft at Jordan's two principal bases have been in an increased state of alert since Sunday. The aircraft reportedly have been armed and put into protective shelters. Antiaircraft units reportedly have been moved to combat positions near the airfields.

The attaches said some Jordanian ground forces were on increased alert yesterday, although most of the army appeared to be in a normal status. Air defense elements of Jordan's 2nd Infantry Division were on alert yesterday, and support elements were observed moving toward Jordan's northwest border with Israel. At least some internal security units also are on alert.

We have no indication of unusual Syrian or Israeli military activity. The US defense attache in Damascus saw no evidence as of early yesterday morning of Syrian troop movements. He reported that Syrian ground forces concluded maneuvers on March 28 that could account for some of the Syrian troop movements reported over the past few days.

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WEST GERMANY

The economic and political constraints of an election year have led Bonn to respond negatively to US attempts to obtain West German financial support for several costly NATO projects.

Chancellor Schmidt's concern about the economic and possible political costs of the projects has led Bonn to:

- Procrastinate in negotiating a new agreement to offset the costs of stationing US troops in West Germany.
- Withhold financial support for an expensive US-built airborne early warning system.
- Delay in providing financial assistance for the construction of facilities for a US brigade assigned to NATO's Northern Army Group.

Schmidt's foot dragging results from several factors.

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Schmidt is in fact keeping a tight rein on all government spending. All West German ministries have been ordered to cut expenditures, and the Chancellor is insisting that the bureaucracy keep an anticipated budget deficit as small as possible. Schmidt has personally held up the funding for a new offset agreement to succeed the one that expired last July and for construction of the facilities for the US brigade.

Schmidt has closely identified himself with the widespread feeling in West Germany that Bonn should stop serving as the paymaster for NATO and the EC. The fact that several other West European countries have cut their military contributions to NATO has reinforced this feeling.

Bonn's unwillingness to provide financial assistance at this time does not represent a fundamental change in policy. After the election, Bonn will probably be more flexible on defense matters and more forthcoming in providing financial assistance, particularly for the US brigade.

In the meantime, West German officials are hinting that Bonn will not support the airborne warning system unless the US purchases the German-built Leopard II tank. This linkage was made forcefully last week by Carl Damm, a defense expert of

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the opposition Christian Democrats, who reportedly spoke out with the blessing of the West German Defense Ministry. He and other West Germans have argued that NATO must prove that it has both the capability and will to standardize weapons systems, and that the purchase of the Leopard by the US would provide a major boost for the Alliance. Damm will propose the swap when he testifies at US Senate hearings on Wednesday.

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NIGERIA-UK

Nigeria is continuing to press for the return of former chief of state Gowon from the UK to face charges of complicity in the coup attempt last month.

Last week, Nigerian External Affairs Commissioner Garba, during talks in London, informally urged British Foreign Secretary Callaghan to hand Gowon over to Nigeria. London, which would like to postpone the matter, has not yet responded.

It seems unlikely the Nigerians themselves want an early clash over the issue. Garba on Saturday indicated publicly that Lagos believes London is treating the matter in good faith.

The British are vulnerable to economic pressure from Lagos. Britain remains Nigeria's largest trading partner and is still the largest foreign investor in the country. The British are heavily involved in Nigerian oil production. Nigerian dockworkers reportedly have already threatened to boycott British ships unless Gowon is returned in three weeks.

Gowon, who has several courses open to him, holds the key to whether the matter is resolved without seriously straining UK-Nigerian ties. The former Nigerian leader could, among other things:

- Wait until a formal extradition request is made and then appeal to the British courts, thereby delaying a final decision for months.
- Seek political asylum.
- Take up residence in another country.

London, of course, would prefer the third option. Any attempt by Gowon to drag out the matter probably would lead to increased Nigerian pressure on the UK. London, in turn, would respond with its own informal pressure on Gowon to leave the UK voluntarily.

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EC

EC efforts to develop a common energy policy were blocked again last week when France refused to accept two key aspects of the program—a minimum safeguard price for oil and emergency energy-sharing measures.

The oil pricing formula would protect North Sea oil profits by establishing a floor price of about \$7 a barrel for crude. Energy-sharing would make EC oil available to members on a non-discriminatory basis in the event of a new oil embargo.

France and Italy argue that the minimum price scheme would prevent them from benefiting fully from a drop in world oil prices and that funds collected under the proposed scheme should not go into Community coffers but to the member states.

Paris also argues that both proposals would evoke strong negative reactions from the OPEC countries. London is cool toward energy-sharing because it would weaken Britain's control over North Sea oil, but it is willing to give in if France and Italy agree to a minimum oil price.

EC energy ministers did reach agreement on several less important matters: Commission recommendations on more rational energy use were adopted; about \$46 million was allocated for hydrocarbon research; and new regulations concerning information exchange were approved. The UK and Denmark have withheld approval, however, of around \$600 million in EURATOM loans to finance construction of nuclear power plants until the dispute over a minimum oil price is resolved.

Despite the inconclusive results of last week's meeting, agreement may yet be reached on a comprehensive program. UK and Commission officials believe that France's stalling is intended primarily to save face and that Paris may finally agree to a revised program when EC energy ministers meet again on June 10.



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SPAIN

The movement toward an alliance of opposition parties in Spain is provoking a belligerent response from Spanish rightists and harassment from the government.

A press conference called by the opposition to present its program was banned by the government yesterday and two spokesmen were detained by the police.

The formation of the new alliance—reportedly to be called the Democratic Coordination—still must be ratified by some of the parties involved. The major Christian Democratic party—the Christian Democratic Left—is divided over the issue of cooperation with Communists, and it is far from certain that it will approve the coalition merger. The party may have to choose between the new alliance and a merger of three Christian Democratic parties which had seemed to be in the offing. If the Christian Democrats back out, the Socialists might also reconsider.

In any case, the merger of the coalitions would not represent a true Communist-Socialist alliance. It would be an overall coordinating structure designed to put pressure on the government. The participating groups have reportedly agreed that the new organization will last only until the convocation of free general elections.

The creation of such a temporary organization would increase the polarization of political forces in Spain. Some members of the government reportedly fear that such a union would provoke strong right-wing reactions and are working behind the scenes to persuade the parties not to go through with the merger. The maneuverings of the left are already stimulating rightist political groups to think of forming their own coalition.

A week ago at the annual congress of the National Confederation of Civil War Veterans—officially non-political, but potentially one of the most powerful pressure groups in Spain—some of the delegates reportedly advocated forming a "National Front" to counterbalance the incipient "Popular Front" forming on the left. A bid to transform the confederation into a political association was defeated—in part because the armed forces continue to oppose an overt political role for the organization.

Spurred by the increasing level of violence in public demonstrations and by the apparent growing unity of the left, Spain's right wing is planning an open confrontation with the left in the streets. The Confederation of Veterans is organizing a march in Madrid on April 4 to protest the government's relaxation of political restrictions, knowing full well that the rightist march will clash with a previously announced demonstration by the opposition. The government is likely to ban both rallies.

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Blas Pinar, leader of the Francoist "New Force," told some 2,000 of his followers on Sunday that King Juan Carlos had betrayed Franco's legacy by allowing the opposition to organize. He issued a warning that his group was ready to enforce the laws if the government would not. After his speech, several hundred of his supporters demonstrated in the streets of Madrid to demand the government's resignation.

More extreme rightists—like the violence-prone Guerrillas of Christ the King—have already taken matters into their own hands on several occasions. They have been especially active in the troubled Basque country where recent terrorist violence has inspired a renewed campaign of counterterrorism, including several bombings and attempted assassinations of suspected terrorists. [REDACTED]

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INDIA-USSR

Several incidents over arms purchases during the past year have marred relations between India and the Soviet Union. Moscow has been reluctant to respond to some of India's requests for equipment, and New Delhi reportedly is balking at the cost of three guided-missile patrol boats.

An Indian military delegation visited Moscow last month to discuss the availability of new tanks and armored personnel carriers. The Soviets denied the existence of any new tank, but allowed the Indians to view the BMP infantry combat vehicle. The Soviets, however, refused to provide two of the combat vehicles for trial tests in India.

There are also reports of differences over naval assistance. New Delhi reportedly is complaining about the reported \$62-million price of three Nanuchka guided-missile patrol boats. India is also unhappy over the Soviet refusal to assist New Delhi in establishing submarine production facilities. Moscow reportedly has also refused to provide modern surface-to-surface missile-equipped cruisers, but may provide similarly equipped destroyers.

New Delhi's refusal to give the Soviets regular access to Indian ports, even for repair facilities, may be one reason for Moscow's footdragging on new equipment. The Indians are aware of Moscow's unhappiness; a senior Indian naval officer described Moscow's refusal to assist in submarine construction as a political response to New Delhi's veto of the request for access to Indian ports.

India will continue to rely on the Soviet Union as its principal source of arms for the immediate future. Despite a shortage of spare parts, New Delhi looks to Moscow for arms because of favorable prices and financial terms. The squabble over the cost of Nanuchka guided-missile patrol boats will probably be short-lived. The Indian navy wants the ship, and it is only available from the Soviet Union.

While these incidents will have little immediate impact on Moscow's position as New Delhi's principal arms supplier, they could lead to efforts by India to look for other sources of arms. New Delhi is currently searching for a "deep penetration strike aircraft," but Moscow's offer to provide New Delhi with MIG-23 aircraft has been repeatedly rebuffed because of the Indian air force's interest in British, French, and Swedish aircraft.

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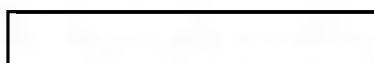


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FOR THE RECORD

PANAMA: Panamanian leader General Torrijos has canceled a meeting of Latin American leaders scheduled for June. Torrijos made the announcement after consulting with the presidents of Colombia, Venezuela, and Costa Rica. Many of the Latin American presidents turned down an invitation to the conference because of Cuban Prime Minister Fidel Castro's plans to attend and opposition to Cuba's involvement in Angola. The cancellation represents a setback for General Torrijos, who had spent considerable time promoting the conference.

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